

## **EXHIBIT E**

## REPORT TO DIRECT LENDERS

**Report Date:** #1 – May 18, 2007

### STATEMENT FROM COMPASS FINANCIAL PARTNERS LLC

Compass Financial Partners LLC ("CFP") has been working diligently and quickly to find appropriate resolutions to the non- and underperforming loans and to return the maximum amount of capital to investors ("Direct Lenders"). This "Report to Direct Lenders" will be one of the tools CFP uses to communicate its progress to the Direct Lenders. CFP will provide regular updates to the Direct Lenders, on the status of their loans and the actions being taken by the Borrowers and CFP to repay the loans, and other matters of relevance to Direct Lenders.

CFP has spoken with hundreds of Direct Lenders in recent weeks about the toll the USA Commercial Mortgage Company ("USACM") bankruptcy has taken on them. We fully understand the financial and emotional impact this has had on thousands of people who thought they had made a sound investment decision only to be caught up in one of the most complex and egregious financial quagmires in commercial lending history.

A critical step in any bankruptcy is the confirmation and implementation of the Reorganization Plan designed to provide a path of recovery for all affected parties. More than two-thirds of the Direct Lenders as well as the United States Bankruptcy Court for the District of Nevada ("the Court") approved the Reorganization Plan for USACM. CFP respects the work of the chapter 11 professionals who spent thousands of hours, often late at night and away from their families, to bring an extremely complex chapter 11 case to a point where CFP, a firm that specializes in distressed portfolios, can aggressively pursue recovery of capital for the Direct Lenders. CFP submitted the highest and best bid in a competitive auction conducted before the Court to acquire, among other things, the loan servicing rights for the majority of the loan portfolio formerly serviced by USACM. The funds paid by USACM to acquire the assets were used to fund distributions to creditors under the Reorganization Plan.

Certain parties have taken action to undermine the effect of the Reorganization Plan by continuing to challenge CFP's right to service the loans. These actions threaten to interfere with CFP's efforts on behalf of the Direct Lenders to collect upon the loans. CFP is committed to protecting the rights and interests of the Direct Lenders and will continue to protect the Direct Lenders and itself through every legal and commercially reasonable means necessary and available.

### LOAN PAYOFF SUCCESSES

Since February 16, 2007, when CFP officially acquired the servicing rights to the former USACM portfolio, CFP, in conjunction with its subservicer USACM, negotiated the payoff of five (5) loans and the collection of almost \$40 million, and through its subservicer, USACM, the distribution of most of those funds to Direct Lenders. The loans that have been repaid due to CFP's efforts are:

- **Gateway Stone** – The Borrower repaid 100% of its obligation under the Loan Agreement
- **Standard Property Development** – The Borrower paid 100% of the Unpaid Principal Balance with the consent of 100% of the Direct Lenders, as provided by the Loan Agreement and Loan Servicing Agreement. This settlement also retired a lawsuit filed against the Direct Lenders by the Borrower.
- **Interstate Commerce Center Phase II** – The Borrower repaid 100% of its obligation under the Loan Agreement.

- **Slade Development** – The Borrower repaid 100% of its obligation under the Loan Agreement.
- **Wasco Investments** – The Borrower repaid 100% of its obligation under the Loan Agreement in mid-April. These funds are scheduled to be distributed to Direct Lenders from CFP's New York offices on or after May 31, 2007.

#### **LOAN FORECLOSURES/BANKRUPTCIES**

Several Borrowers have taken the unfortunate route of refusing repeated efforts by CFP to work out a repayment solution and have chosen instead to test CFP's willingness to foreclose on their loans as provided under the Loan Agreement the Borrower signed. Foreclosure will result in substantial costs and delays to be borne by the Direct Lenders. A couple of Borrowers also have sought protection from CFP's efforts to collect the funds owed to it and the Direct Lenders under Chapter 11 under the U.S. Bankruptcy Code. CFP will aggressively enforce the Loan Agreements and pursue recovery of the maximum amount of capital possible.

##### Foreclosures Being Pursued by CFP

- West Hills Park JV (Huntsville)
- Gramercy Court Condos
- Lerin Hills LLC
- Bay Pompano Beach
- 3685 San Fernando Rd.
- Shamrock Tower LP
- Anchor B LLC
- 6425 Gess Ltd.
- Lake Helen Partners
- Bundy Canyon (all 5)
- Cornmen Toltec 160 LLC
- Pegasus Mountain House
- SVRB (both)
- Marlton Square (both)
- Palm Harbor One
- Eagle Meadows Development
- Fox Hills 216
- Oak Mesa Investors (Fiesta Oak Valley)
- Capital Land Investors LLC (Fiesta USA Stoneridge)
- Binford Medical Developers LLC
- Fiesta Murrieta

##### Borrower Bankruptcies

- West Hills Park JV (Huntsville)
- Gramercy Court Condos

#### **LOAN SETTLEMENT STATUS**

Some of the loans in the former USACM portfolio that CFP now has responsibility for servicing are severely underperforming and it may not be possible to recover 100% of all funds owed to CFP and the Direct Lenders. As the servicer for these loans, CFP has conducted very thorough due diligence on every loan and made a determination of the best possible option for the Direct Lenders. CFP has proposed settlements on five (5) loans since February 16, 2007. The Direct Lenders in one loan consented to the settlement and have their cash in hand from the recovery of that loan. A small handful of Direct Lenders in two other loans have defeated two other proposals which would have resulted in a significant recovery of capital, thereby harming all the Direct Lenders in those loans.

- **Standard Property Development** – 100% of Direct Lenders consented to accept 100% of their Unpaid Principal Balance, waive accrued interest, and be released from future litigation by the Borrower. These Direct Lenders have received their funds.
- **5055 Collwood LLC** – Eight of 33 Direct Lenders refused to consent to the first settlement proposal for a six-month extension. Four of 33 Direct Lenders refused to

consent to a second amended proposal for a six-month extension, recovery of approximately 95% of their Unpaid Principal Balance, and waiver of Interest during the extension period. This is a junior position loan and the senior lienholder is now reviewing its legal options, one of which is foreclosure of its senior position, which will most likely result in a significantly lower return for all Direct Lenders.

- **Fiesta Murrieta** – One or more of the 66 Direct Lenders refused to consent to a 12-month extension of this performing loan which would have paid them full interest monthly, less Loan Servicing Fees, and would have paid them 100% of their Unpaid Principal Balance at the maturity of the extension period. CFP will now be forced to initiate foreclosure proceedings on this loan and immediately invoice all Direct Lenders for their pro rata share of the costs and professional fees associated with foreclosure.
- **Cabernet Highlands LLC** – The Direct Lenders have been asked to consent to a six-month extension, continued monthly payment of interest, and an accelerated paydown of interest.
- **Arapahoe Land Investments LP (Clear Creek Plantation)** – The Borrower was able to obtain financing that was insufficient to satisfy all obligations due and owing under the loan documents. CFP agreed to defer all of its fees and take a subordinate lien position to the new financing in order for the Direct Lenders to receive a 100% of their Unpaid Principal Balance. The proposal was rejected by six Direct Lenders in the loan.

#### **CONFERENCE CALL SERIES ANNOUNCED**

CFP announced it will conduct weekly telephone conference calls for the benefit of all Direct Lenders who hold current, valid positions in loans serviced by CFP. The calls will be one-way sessions to provide updates about general CFP matters, overall portfolio news, and deal with selected Direct Lender questions and concerns. They will not provide loan-by-loan status updates as any material developments regarding individual loans will be communicated through Loan Status Reports. The calls will be held every Friday from 10 a.m. CFP reserves the right to change the schedule as necessary. An announcement with the schedule and dial-in information was sent separately to all Direct Lenders. To access the call, dial (319) 279-1000. When prompted, enter the Pin Code 1058929.

#### **CFP WITHDRAWAL OF NEVADA LICENSE APPLICATION**

CFP withdrew its application for a mortgage broker license with the State of Nevada Mortgage Lending Division ("NV MLD") on April 20, 2007 and accordingly has moved its loan servicing operation to its New York headquarters. CFP also terminated its sub-servicing agreement with USACM on April 27.

#### **LAS VEGAS OPERATIONS UPDATE**

The NV MLD issued an order on May 9, 2007 demanding CFP "cease and desist from conducting any and all unlicensed escrow agency activity in the State of Nevada." CFP voluntarily and immediately suspended all operations in the Las Vegas office, its only Nevada place of business, in a demonstration of good faith to the NV MLD that CFP intends to conduct its Nevada business in full compliance with all Nevada statutes. CFP believes it has not violated any Nevada law and that the activities conducted from its Las Vegas office did not constitute licensable activity. The office will remain closed until CFP and its attorneys have worked through the hearing process provided under Nevada statute. Until then, all correspondence is being handled from CFP's New York office.